

Message Text

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ACTION EB-11

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 3626

INFO AMCONSUL FLORENCE

AMCONSUL GENOA

AMCONSUL MILAN

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TAGS: ENRG, ETRD, IT

SUBJECT: TRADE AND INVESTMENT OPPORTUNITIES ARISING FROM ENERGY

SITUATION: ITALY

REF: LOU STATE 40537 (NOTAL)

SUMMARY: OPPORTUNITIES FOR EXPORTS SHOULD ARISE FROM THE ENERGY SITUATION IN ITALY IN ELECTRIC POWER, ENVIRONMENTAL CONTROL, NATURAL GAS, PETROLEUM AND TRANSPORTATION, AMONG OTHER FIELDS. SOME OPPORTUNITIES FOR LICENSING, SERVICES, AND REVERSE INVESTMENTS MAY ALSO DEVELOP. END SUMMARY.

1. EMBASSY SUGGESTS THAT VALIDITY STATE/COMMERCE STUDY MUST BE BASED ON DEFINITION OF DOMESTIC U.S. POLICY AS IT EFFECTS

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EQUIPMENT (E.G. OIL FIELD AND REFINERY), RAW MATERIALS (E.G.

COAL), SEMI-MANUFACTURES (E.G. PLASTICS) AND FOOD AND AGRICULTURAL COMMODITIES NOT ONLY AS REGARDS AVAILABILITY FOR EXPORT AND POSSIBLE NEW US CONTROLS BUT AVAILABILITY OF FINANCING (E.G EXIMBANK) IN GENERAL AND CREDIT LIMITATIONS WHICH MAY APPLY TO SPECIFIC COMMODITY SECTORS AND/OR GEOGRAPHIC AREAS OF DESTINATION. WITH THIS POSSIBLE RESTRAINT IN MIND WE HAVE NONETHELESS COMPILED LIST OF POSSIBLE OPPORTUNITIES, SOME OF WHICH MAY, HOWEVER, BE SUBJECT TO SUPPLY/CREDIT RESTRAINTS BY USG.

2. ELECTRIC POWER-NATIONAL ELECTRIC POWER COMPANY ENEL HAS SET PROGRAM TO 1980 FOR ATOMIC REACTOR PLANTS WHICH AFFORDS POTENTIAL TO US LICENSEES FOR CONSTRUCTION AND TO AEC FOR ENRICHED FUELS (REF ROME A-094). COMPLETION OF NATIONAL HIGH TENSION POWER NET BY CLOSING ROME-FLORENCE GAP MAY AFFORD OPPORTUNITIES US FITTINGS, CONTROLS AND INSTRUMENTATION, AS MAY ENEL PROGRAM TO INCREASE HYDROELECTRIC POTENTIAL BY OFF PEAK PERIOD RETURN PUMPING OF WATER FROM LOWER TO HIGHER HOLDING BASINS. ENEL AND PRIVATE INDUSTRY THINKING OF GAS TURBINE GENERATION (APPROX. 1 MEGAWATT SIZE MOST COMMON) FOR PEAK PERIOD SUPPLEMENTAL NEEDS AND STAND BY USE. ENVIRONMENTAL CONCERNS HAVE RETARDED ENEL PROGRAM FOR SEVERAL YEARS AND ABILITY OF SUPPLY TO MEET DEMAND GROWTH QUESTIONABLE IN SHORT/MEDIUM TERM. UNTIL ELECTRIC SUPPLY ADEQUATE EMBASSY SEES EVEN GREATER MARKET FOR GAS/DIESEL POWERED GENERATOR SETS FOR INDUSTRIAL, COMMERCIAL, INSTITUTIONAL, RESIDENTIAL USE.

3. ENVIRONMENTAL CONCERNS IN ENERGY - AS CONTINUED OR EVEN GREATER POLLUTION MAY RESULT FROM DEMANDS OF ENERGY MAXIMIZATION AND WE SEE NO RELAXING OF ENVIRONMENTAL PRESSURE, THERE SHOULD BE FURTHER INCREASE IN ALREADY STRONG MARKET FOR POLLUTION CONTROL INSTRUMENTATION AND EQUIPMENT. RELATIVE TO ATOMIC REACTORS CITED PARA 2, ENVIRONMENTAL OPPOSITION MIGHT CREATE OPPORTUNITY FOR OFFSHORE PLATFORMS OR ARTIFICIAL ISLANDS FOR REACTOR LOCATION. WHILE NOT ALL ITALIAN COASTLINE SUITABLE, DUE SHARPLY SLOPING BOTTOM, AND CLOSED BASIN (E.G. ADRIATIC) MIGHT PROVIDE PROBLEMS, THIS WORTH EXPLORATION. FURTHER, DUE COMBINED ENERGY/ENVIRONMENT ADVANTAGES, FULL UTILIZATION SOLID WASTE (E.G. USE IN POWER GENERATION, TREATMENT FOR ANIMAL FOOD ADDITIVES, METAL SCRAP RETRIEVAL) WOULD PROVIDE OPPORTUNITIES FOR EQUIPMENT AS METAL SEPARATORS AS WELL AS ENGINEERING AND LIMITED OFFICIAL USE

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CONSULTING SERVICES.

4. NATURAL GAS - WITH PIPELINES FROM USSR AND NETHERLANDS COMING ON STREAM THIS YEAR, ALGERIAN LINE IN 1977 AND HOPES FOR NEW FINDS IN ITALY AND COASTAL WATERS, WE SEE POTENTIAL FOR SERVICE EQUIPMENT AS QUALITY TEST DEVICES, LEAK DETECTORS, FOR SPECIALIZED VALVES AND CONTROL EQUIPMENT AND INSTRUMENTATION AS WELL AS FOR NATURAL GAS POWERED EQUIPMENT OR CONVERSION UNITS

FOR EQUIPMENT NOW USING SOLID OR LIQUID FUELS. SEE FOLLOWING PARA.

5. PETROLEUM - FOR PETROLEUM AS WELL AS NATURAL GAS EXPLORATION AND DEVELOPMENT IN ITALY AND ABROAD, THERE WILL NO DOUBT BE AN INCREASED DEMAND FROM ITALY'S ENI HYDROCARBONS GROUP FOR SPECIALIZED EQUIPMENT NOT MANUFACTURED IN ITALY.

6. TRANSPORTATION - FIAT HAS ALREADY ANNOUNCED ITS INTENT TO SHIFT MORE PRODUCTION FROM ITS LARGER CARS TO BUSES AND MASS TRANSPORT ITEMS. FIAT PRODUCTS HAVE AN AVERAGE OF 5 PERCENT OF US PRODUCT CONTENT AND THERE MAY BE A POSSIBILITY OF INCREASING THE US SHARE OF MACHINE TOOLS IN THE NEW PRODUCTION. THERE MAY ALSO BE GREATER OPPORTUNITIES FOR AMERICAN ENGINEERING AND CONSULTING SERVICES IN PLANNING MASS TRANSPORT SYSTEMS.

7. INDIVIDUAL PRODUCTS - THE CRISIS HAS NOT YET SHAKEN OUT TO THE POINT WHERE MANY PRODUCT OPPORTUNITIES CAN BE IDENTIFIED. SEVERAL THAT COME TO MIND, HOWEVER, ARE SPECIALIZED INSULATION AND INSULATING PAINT FOR BUILDINGS AND CARPETING OF ARTIFICIAL FIBER.

8. LICENSING - THERE MAY BE OPPORTUNITIES FOR LICENSING ENERGY-RELATED DEVELOPMENTS OF US GOVERNMENT PROGRAMS SUCH AS NASA. SOME PROJECTS AS NASA'S VERTICAL AXIS WIND GENERATOR MAY NOT BE READY FOR COMMERCIALIZATION BUT WHAT IS AVAILABLE SHOULD BE REVIEWED FOR FOREIGN LICENSING POTENTIAL.

9. SERVICES - A KEY ELEMENT OF INCREASING US POTENTIAL FOR EXPORTS IS IN SERVICES. SEVERAL POSSIBILITIES HAVE ALREADY BEEN CITED - E.G. TRANSPORTATION, SOLID WASTE USAGE. IN ADDITION AN AREA SUCH AS COMPLETE ENERGY USE OF EXISTING FACILITIES (E.G. RECYCLING OF HEAT, HEAT FROM COMPUTER BANKS, ETC.) SHOULD AFFORD PROFITABLE OPPORTUNITIES FOR US FIRMS, ESPECIALLY IN INDUSTRIES WITH LIMITED OFFICIAL USE

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RIAL NORTH.

10. REVERSE INVESTMENT - CURRENT GOI CAPITAL EXPORT CONTROLS REQUIRING A 50 PERCENT DEPOSIT ON INVESTMENT ABROAD COULD PROVIDE AN IMPEDIMENT FOR THE MEDIUM-SIZED ITALIAN FIRM BUT THE GIANTS COULD FIND INVESTMENT FUNDS ELSEWHERE OR SEEK SOME GOI ACCOMMODATION. TWO SPECIFIC INVESTMENT POSSIBILITIES ARE WORTH CITING. WITH THE US MARKET CHANGING TO SMALLER CARS, FIAT MIGHT FIND ASSEMBLY OR PRODUCTION FACILITIES IN THE US ATTRACTIVE ENOUGH TO CHANGE THE FIRM'S CURRENT LACK OF DYNAMISM TOWARD THE AMERICAN MARKET. SECONDLY, FIRMS SUCH AS ENEL IN ELECTRIC GENERATION AND FINSIDER IN STEEL MIGHT DEVELOP, AND, IN THE LATTER CASE, RENEW INTEREST IN US COAL PROPERTIES. VOLPE

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